

# Personnel Summary

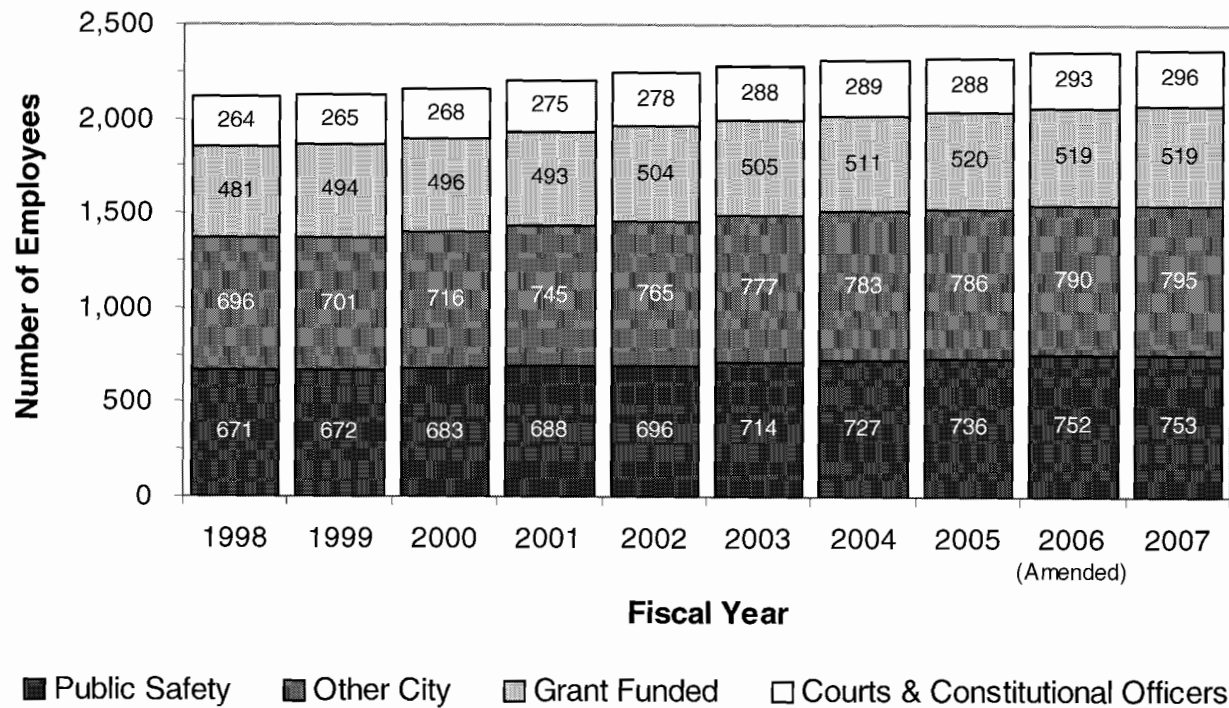
## Analysis of Personnel Changes FY 2006 (Amended) to FY 2007 Proposed Budget

	FY 2006 (Amended) Positions				FY 2007 Proposed Positions				Change from FY 2006 (Amended)				Change from FY 2007 Proposed			
	Full-Time Perm.	Part-Time (FTE)	Approved Overhire	Total (FTE)	Full-Time Perm.	Part-Time (FTE)	Approved Overhire	Total (FTE)	Full-Time Perm.	Part-Time (FTE)	Approved Overhire	Total (FTE)	Full-Time Perm.	Part-Time (FTE)	Approved Overhire	Total (FTE)
<b>Legislative &amp; Executive</b>																
City Council	-	14.00	-	14.00	-	14.00	-	14.00	-	-	-	-	-	-	-	-
City Manager	16	-	-	16.00	16	-	-	16.00	-	-	-	-	-	-	-	-
City Attorney	15	-	-	15.00	15	-	-	15.00	-	-	-	-	-	-	-	-
City Clerk & Clerk of Council	4	-	-	4.00	4	-	-	4.00	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>35</b>	<b>14.00</b>	<b>-</b>	<b>49.00</b>	<b>35</b>	<b>14</b>	<b>-</b>	<b>49.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Courts &amp; Constitutional Officers</b>																
18th Circuit Court	13	-	-	13.00	13	-	-	13.00	-	-	-	-	-	-	-	-
Clerk of Court	23	-	1	24.00	23	-	1	24.00	-	-	-	-	-	-	-	-
Commonwealth Atty	29	1.63	-	30.63	29	1.63	-	30.63	-	-	-	-	-	-	-	-
Court Services Unit	9	2.80	-	11.80	9	2.80	-	11.80	-	-	-	-	-	-	-	-
Law Library	1	-	-	1.00	1	-	-	1.00	-	-	-	-	-	-	-	-
Registrar of Voters	6	0.60	-	6.60	6	0.60	-	6.60	-	-	-	-	-	-	-	-
Sheriff	212	-	-	212.00	215	-	-	215.00	3	-	-	3.00	1.4%	-	-	1.4%
<b>Subtotal</b>	<b>293</b>	<b>5.03</b>	<b>1</b>	<b>299.03</b>	<b>296</b>	<b>5</b>	<b>1</b>	<b>302.03</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3.00</b>	<b>1.0%</b>	<b>-</b>	<b>-</b>	<b>1.0%</b>
<b>General Government</b>																
Citizen Assistance	7	0.75	-	7.75	7	0.75	-	7.75	-	-	-	-	-	-	-	-
Finance	93	6.75	-	99.75	93	6.00	-	99.00	-	(0.75)	-	(0.75)	-	-11.1%	-	-0.8%
General Services	77	0.50	4	81.50	75	0.50	4	79.50	(2)	-	-	(2.00)	-2.6%	-	-	-2.5%
Human Rights	5	-	1	6.00	5	-	1	6.00	-	-	-	-	-	-	-	-
ITS	59	0.50	-	59.50	60	0.50	-	60.50	1	-	-	1.00	1.7%	-	-	1.7%
Internal Audit	2	-	-	2.00	2	-	-	2.00	-	-	-	-	-	-	-	-
OMB	10	-	1	11.00	11	-	-	11.00	1	-	(1)	-	10.0%	-	-100%	-
Office on Women	18	1.50	-	19.50	18	1.50	-	19.50	-	-	-	-	-	-	-	-
Personnel Services	23	0.58	1	24.58	23	0.58	1	24.58	-	-	-	-	-	-	-	-
Real Estate	14	-	-	14.00	15	-	-	15.00	1	-	-	1.00	7.1%	-	-	7.1%
<b>Subtotal</b>	<b>308</b>	<b>10.58</b>	<b>7</b>	<b>325.58</b>	<b>309</b>	<b>10</b>	<b>6</b>	<b>324.83</b>	<b>3</b>	<b>-</b>	<b>(1)</b>	<b>(0.75)</b>	<b>1.0%</b>	<b>-</b>	<b>-100%</b>	<b>-0.2%</b>

## Analysis of Personnel Changes FY 2006 (Amended) to FY 2007 Proposed Budget

	FY 2006 (Amended) Positions				FY 2007 Proposed Positions				Change in Positions or FTE				% Change in Positions or FTE			
	Full-Time Perm.	Part-Time (FTE)	Approved Overhire	Total (FTE)	Full-Time Perm.	Part-Time (FTE)	Approved Overhire	Total (FTE)	Full-Time Perm.	Part-Time (FTE)	Approved Overhire	Total (FTE)	Full-Time Perm.	Part-Time (FTE)	Approved Overhire	Total (FTE)
<b>Operating Agencies</b>																
<u>Public Safety</u>																
Fire	296	0.50	27	323.50	298	-	27	325.00	2	(0.50)	-	1.50	0.7%	-100%	-	-99%
Police	456	2.62	8	466.62	455	2.12	8	465.12	(1)	(0.50)	-	(1.50)	-0.2%	-19.1%	-	-19.3%
Subtotal	966	3	35	790.12	753	2.12	35	790.12	1	(1.00)	-	0.00	0.1%	-32.1%	-	0.0%
<u>Health &amp; Welfare</u>																
Health	9	9.59	-	18.59	10	9.59	-	19.59	1	-	-	1.00	11.1%	-	-	5%
Human Services	221	6.80	9	236.80	221	6.80	9	236.80	-	-	-	-	-	-	-	-
Ment. Health, Mental Retardation & Subst. Abuse	278	68.62	-	346.62	278	68.62	-	346.62	-	-	-	-	-	-	-	-
Subtotal	508	85.01	9	602.01	509	85.01	9	603.01	1	-	-	1.00	0.2%	-	-	0.2%
<u>Community Development</u>																
Housing	20	0.00	-	20.00	20	-	-	20.00	-	-	-	-	-	-	-	-
Planning & Zoning	37	0.50	10	47.50	37	0.50	10	47.50	-	-	-	-	-	-	-	-
Subtotal	57	0.50	10	67.50	57	0.50	10	67.50	-	-	-	-	-	-	-	-
<u>Parks, Recreation &amp; Cultural</u>																
Historic Alexandria	18	12.38	-	30.38	17	12.38	-	29.38	(1)	-	-	(1.00)	-5.6%	-	-	-3%
Library	55	26.45	-	81.45	55	26.45	-	81.45	-	-	-	-	-	-	-	-
Recreation, Parks & Cultural	137	53.36	3	193.36	140	53.86	3	196.86	3	0.50	-	3.50	2.2%	0.9%	-	1.8%
Subtotal	210	92.19	3	305.19	212	92.69	3	307.69	2	0.50	-	2.50	1.0%	0.5%	-	0.8%
<u>Public Works</u>																
Transportation & Environ. Services	191	-	14	205.00	192	-	14	206.00	1	-	-	1.00	0.5%	-	-	0.5%
Subtotal	191	-	14	205.00	192	-	14	206.00	1	-	-	1.00	0.5%	-	-	0.5%
<b>Subtotal Op. Agencies</b>	<b>1,932</b>	<b>180.82</b>	<b>71</b>	<b>1,969.82</b>	<b>1,723</b>	<b>180.32</b>	<b>71</b>	<b>1,974.32</b>	<b>5</b>	<b>(0.50)</b>	<b>-</b>	<b>4.50</b>	<b>0.3%</b>	<b>-0.3%</b>	<b>-</b>	<b>0.2%</b>
<b>Grand Total</b>	<b>2,568</b>	<b>210.43</b>	<b>79</b>	<b>2,643.43</b>	<b>2,363</b>	<b>209.18</b>	<b>78</b>	<b>2,650.18</b>	<b>11</b>	<b>(0.50)</b>	<b>(1)</b>	<b>6.75</b>	<b>0.4%</b>	<b>-0.2%</b>	<b>-1.3%</b>	<b>0.3%</b>

## CHANGES IN FULL-TIME POSITIONS FY1998- FY2007



**Changes in Full-Time Positions  
Five Year Summary  
(FY 2003 - FY 2007)**

				Amended	Proposed	
Public Safety Departments	2003	2004	2005	2006	2007	
Fire	284	287	293	296	298	/1
Police	430	440	443	456	455	/2
Sub-total	714	727	736	752	753	

**Other City-Funded Departments and Agencies**

Citizen Assistance	7	7	7	7	7	
City Attorney	15	15	15	15	15	
City Council and Administrative Aides	14	14	14	0	0	
City Clerk	3	3	3	4	4	
City Manager	16	16	16	16	16	
Finance	92	91	92	93	93	
General Services	73	73	73	77	75	/3
Health	7	6	8	9	10	/4
Historic Alexandria	17	17	17	18	17	/5
Human Rights	5	5	5	5	5	
Information Technology Services	56	57	57	59	60	/6
Internal Audit	2	2	2	2	2	
Library	52	52	54	55	55	
Management and Budget	10	10	10	10	11	/7
Office on Women	18	19	19	18	18	
Personnel Services	21	22	22	23	23	
Planning and Zoning	35	35	37	37	37	
Real Estate Assessments	11	12	13	14	15	/8
Rec, Parks and Cultural Activities	128	128	133	137	140	/9
Transportation & Environmental Services	195	199	189	191	192	/1
<i>Sub-total</i>	<i>777</i>	<i>783</i>	<i>786</i>	<i>790</i>	<i>795</i>	<i>0</i>

**Predominantly Grant-Funded Departments**

Housing	20	20	20	20	20
Human Services	230	234	235	221	221
Mental Health, Mental Retardation & Sub. Abuse	255	257	268	278	278
<i>Sub-total</i>	<i>505</i>	<i>511</i>	<i>523</i>	<i>519</i>	<i>519</i>

**Courts & Constitutional Officers**

Circuit Court	13	13	13	13	13
Clerk of Courts	21	22	22	23	23
Commonwealth’s Attorney	30	30	28	29	29
Court Service Unit	8	8	8	9	9
Law Library	1	1	1	1	1
Registrar of Voters	4	4	4	6	6
Sheriff	211	211	212	212	215
					/1
					1
Sub-total	288	289	288	293	296

Total City Full-Time Employees	2,284	2,310	2,333	2,354	2,363	
Total City Part-Time & Authorized Overhires			249.2	289.4	287.2	
TOTAL CITY EMPLOYEES			2582.2	2643.4	2650.2	
Net Change City Employees				61.26	6.75	
% Change City Employees				2.4%	0.3%	
TOTAL SCHOOL EMPLOYEES	2,098	2,079	2,082	2,116	2,125	/1 2

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## Changes in Full-Time Positions (continued)

### FY 2007 Notes:

- /1 - Fire: Reflects the addition of two Emergency Rescue Technician (ERT) positions that will provide for two additional ERT Supervisors to address the current staffing ratio of one supervisor to 13 personnel.
- /2 - Police: Reflects the elimination of one full-time civilian Records Clerk position as part of an efficiency reduction resulting from the restructuring of shifts in the Information Services Section. This position will be eliminated through attrition.
- /3 - General Services: Reflects the elimination of two Offset Press Operator I positions as part of an efficiency reduction. These positions will be eliminated through attrition.
- /4 - Health: Reflects the addition of one Public Health Nurse position for Tuberculosis prevention, assessment and treatment.
- /5 Historic Alexandria: Reflects the elimination of one vacant Special Programs Coordinator position at Gadsby's Tavern, funded by donations.
- /6 - Information Technology Services: Reflects the addition of a Telecommunications Support position. The position will allow for the Telecommunications Coordinator to begin to plan and then implement new systems upgrades as well as the replacement of outdated and overloaded building phone switches.
- /7 - Management and Budget: Reflects the conversion of a Budget Analyst I overhire position, transferred from the City Manager's office during FY 2006, to a full-time permanent position.
- /8 - Real Estate Assessments: Reflects the recommended addition of a Real Estate Assessments Data Analyst position.
- /9 - Recreation, Parks & Cultural: Reflects the addition of a full-time Computer Lab Customer Support Engineer II position and two full-time Youth Services Program Specialist positions.
- /10 - Transportation & Environmental Services: Reflects the addition of one parking meter maintenance position associated with the installation of meters in Eisenhower East.
- /11 - Sheriff: Reflects the recommended supplemental request for two Deputy Sheriff I positions for the perimeter of the Detention Center, one new Chief Deputy position, one Captain position, and one Director of Records position. Also reflects the elimination of one Civilian AASAP position and one Deputy Sheriff position.
- /12 - Schools: Reflects the addition of a net 9 new positions included in the School Board's proposed operating budget for FY 2007.

## Summary of Position Changes Proposed

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### Agencies with a reduction in Positions

General Services	-2	Reflects the elimination of two Offset Press Operator I positions as part of a planned, phased restructuring of print shop operations. These positions will be eliminated through attrition.
Historic Alexandria	-1	Reflects the elimination of one vacant Special Programs Coordinator position at Gadsby's Tavern, funded by donations.
Police	-1	Reflects the elimination of one full-time civilian Records Clerk position as part of an efficiency reduction resulting from the restructuring of shifts in the Information Services Section. This position will be eliminated through attrition.
Sheriff	-2	Reflects the elimination of one Civilian AASAP position and one Deputy Sheriff position.
Various Departments	-3.25	Reflects the elimination of a number of part-time or temporary overhire positions.
<b>SUBTOTAL, NET REDUCTIONS</b>	<b>-9.25</b>	

### Recommended New Positions

Fire	2	Reflects the addition of two Emergency Rescue Technician (ERT) positions that will provide for two additional ERT Supervisors to address the current staffing ratio of one supervisor to 13 personnel.
Health	1	Reflects the addition of one Public Health Nurse position for Tuberculosis prevention, assessment and treatment.
Information Technology Services	1	Reflects the addition of one Telecommunications Support position. This will allow for the Telecommunications Coordinator to begin to plan and then implement new systems upgrades as well as the replacement of outdated and overloaded building phone switches.

## Summary of Position Changes Proposed

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### Recommended New Positions, continued

Office of Management and Budget	1	Reflects the conversion of one Budget Analyst I overhire position, transferred from the City Manager's office during FY 2006, to a full-time permanent position.
Real Estate Assessments	1	Reflects the recommended addition of a Real Estate Assessments Data Analyst position.
Recreation, Parks & Cultural Activities	3	Reflects the addition of a full-time Computer Lab Customer Support Engineer II position and two full-time Youth Services Program Specialist positions.
Sheriff	5	Reflects the recommended supplemental request for two Deputy Sheriff I positions for the perimeter of the Detention Center, one new Chief Deputy position, one Captain position, and one Director of Records position.
Transportation & Environmental Services	1	Reflects the addition of one parking meter maintenance position associated with the installation of meters in Eisenhower East.
Various Departments	1.00	Reflects the addition of a number of part-time or temporary overhire positions.
<b>SUBTOTAL, NEW FULL-TIME POSITIONS</b>	<b>16.00</b>	
<b>GRAND TOTAL, NET CHANGE IN POSITION COUNT</b>	<b>6.75</b>	
(Does not include School positions)		



## General Salary Adjustment History

The table below shows the General Salary Adjustments granted to City employees from FY 1986 through FY 2007, along with the previous calendar years' inflation rates. The General Salary Adjustments include cost of living (COLA) adjustments given to City employees. The salary adjustments below do not include merit adjustments, which are based on employee performance.

Fiscal Year	General Salary Adjustments	Inflation Rate <sup>/A</sup> (for previous calendar year)
1986	4.0	4.2 (1985)
1987	4.0	2.9 (1986)
1988	4.0	3.6 (1987)
1989	4.0	4.1 (1988)
1990	3.0	5.8 (1989)
1991	3.0 (July 1, 1990 - Dec. 31, 1990) 0.5 (Jan. 1, 1991 - June 30, 1991) <sup>/B</sup>	5.9 (1990)
1992	2.0	4.1 (1991)
1993	0.0	2.5 (1992)
1994	2.5	3.2 (1993)
1995	2.0	1.9 (1994)
1996	3.0	2.0 (1995)
1997	2.0	2.8 (1996)
1998	2.0 (July 1, 1997 - Dec. 31, 1997) 3.0 (Jan. 1, 1998 - June 30, 1998) <sup>/C</sup>	1.7 (1997)
1999	0.0	1.3 (1998)
2000	2.0	2.1 (1999)
2001	2.5	3.3 (2000)
2002	3.0	2.0 (2001)
2003	2.5	3.6 (2002)
2004	2.0	2.2 (2003)
2005	2.0	3.6 (2004)
2006	2.0	3.7 (2005) <sup>/D</sup>
2007	3.0 (Proposed)	

/A Source: National Consumer Price Index, all Urban Consumers for the Washington-Baltimore, DC-MD-VA-WV region (CPI-U-DC) 1996 = 100, Bureau of Labor Statistics, U.S. Department of Labor, average to average annual rate. The inflation data have been revised from previously published documents to show the CPI-U-DC, a regional measure of inflation, consistent with the inflation measure called for in the City's Compensation Philosophy.

/B In FY 1991, City Council approved a three percent general salary adjustment effective from July 1, 1990 to December 31, 1990, and an additional one-half of one percent general salary adjustment effective on January 1, 1991. The effective general salary adjustment for FY 1991 was 3.25 percent.

/C In FY 1998, City Council approved a two percent general salary adjustment (COLA) effective July 1, 1997, plus a three percent market rate adjustment effective on January 1, 1998. City Council approved the market rate adjustment based on the results of a consultant survey that documented some City classifications were below market comparators.

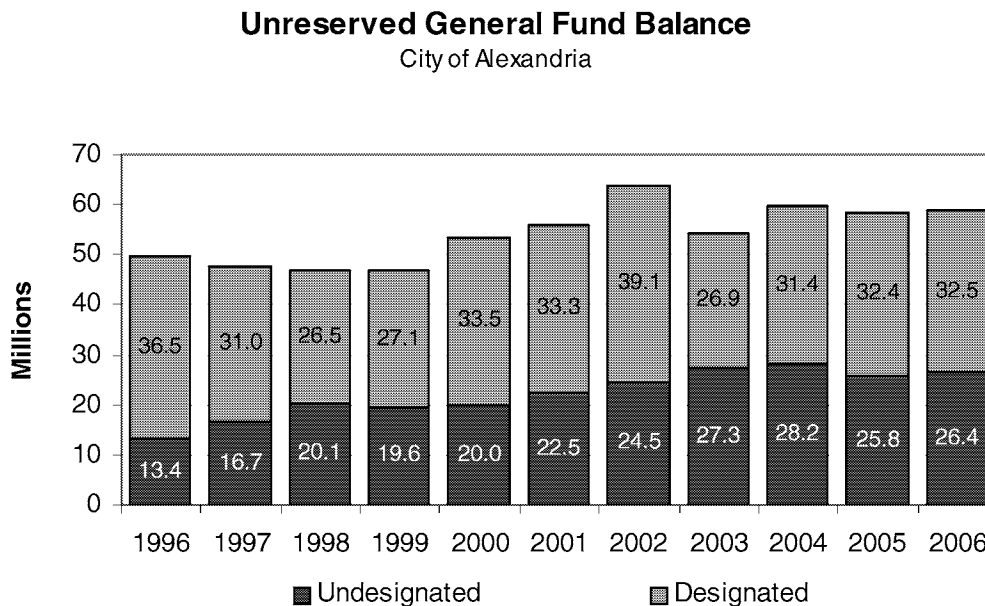
/D Date shown is the November 2005 to November 2004 annual rate, the latest available at the time of budget preparation.

## Statement Of Estimated General Fund Balance

Unreserved General Fund Balance is the accumulated total of all prior years' actual General Fund revenues in excess of expenditures — often referred to as "surplus" — that is available for appropriation by City Council. This is in comparison to the Reserved General Fund Balance which represents monies that have been reserved to pay for legal obligations of the City such as for purchase order encumbrances. Maintaining a prudent level of unreserved General Fund balance is critical to ensuring that the City is able to cope with financial emergencies and fluctuations in revenue cycles. Unreserved General Fund balance also provides working capital during temporary periods when expenditures exceed revenues.

The graph below shows total actual unreserved and undesignated General Fund balance from FY 1997 through FY 2005, and projected fund balance at the close of FY 2006. As proposed, the FY 2007 budget recommends use of a certain portion of fund balance for capital projects, in addition to pay-as-you-go capital funding. Unreserved fund balance (the total amount available for appropriation, regardless of designations) is projected to be \$58.9 million at June 30, 2006, which represents 12.5 percent of FY 2006 projected General Fund revenues. The City Council's adopted debt policies indicate that although an unreserved General Fund balance comparable to the ratio maintained by other double triple-A rated jurisdictions is desirable, it is not to fall below 10 percent of General Fund revenues. In order to maintain the current level of undesignated fund balance into future years, the "pay-as-you-go" portion of capital projects will need to be funded largely out of current revenues in future years, rather than relying extensively on the one-time revenue source of fund balance to meet capital needs without additional borrowing.

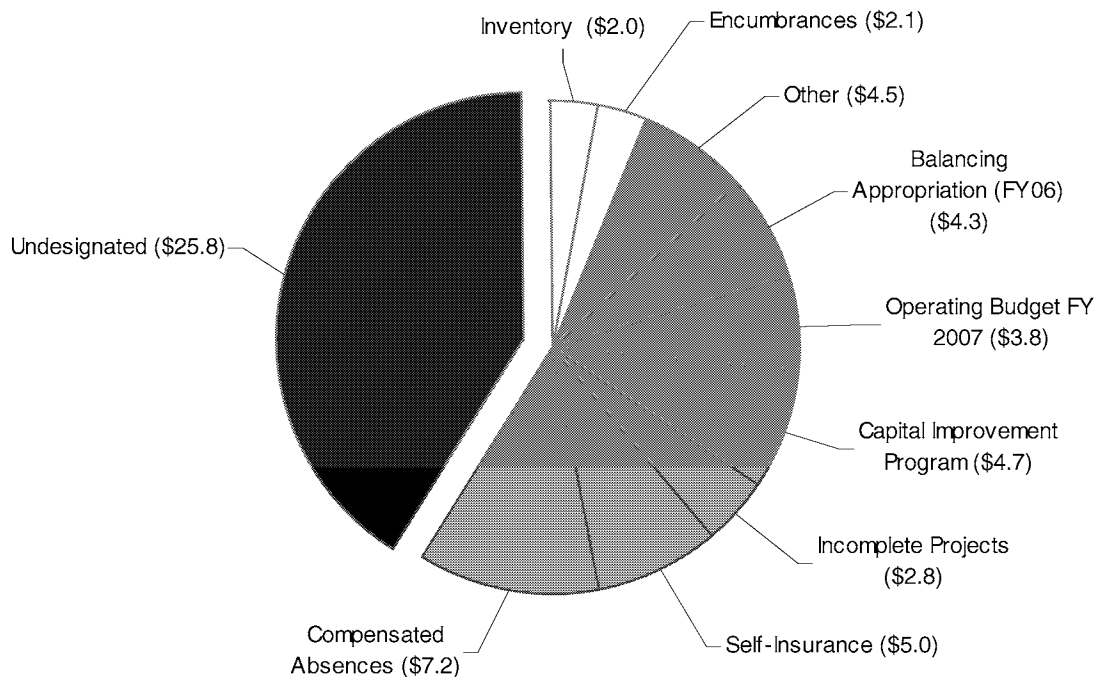
The City Council's adopted debt-related financial policies are reproduced in the appendices section of this document. The debt policies are followed by a Layperson's Guide to Fund Balance based on the report prepared by the Budget and Fiscal Affairs Advisory Committee.



## City of Alexandria General Fund Fund Balance

This pie chart shows all of the components of General Fund balance (reserved, designated and undesignated) as of June 30, 2004.

### Fund Balance as of June 30, 2005 \$62.3 Million



☐ Reserve monies - not available for appropriation.

The remaining components of fund balance comprise unreserved fund balance.

☒ Designated monies - These designated reserves are to help the City offset the cost of the specific type of obligation for which the funds are earmarked. Although technically available for appropriation, these monies are generally not considered available to fund other program or service requirements by the City Manager or the City Council under the City's adopted financial policies.

☐ Undesignated - This is the amount of money generally considered to be the City's reserve fund.

## Statement of Estimated General Fund Balance

City Council's debt related financial policies, (originally adopted in June 1987, and subsequently reaffirmed and updated on December 9, 1997, and amended on October 26, 1999) established a limit of 4 percent and a target of 5.5 percent for undesignated General Fund balance as a percentage of General Fund revenue, and established a lower limit of 10 percent for unreserved General Fund balance as a percentage of General Fund revenue. Designated fund balance are reserve funds "earmarked" to help the City offset the cost of a specific type of obligation. Although technically available for appropriation, these monies are not generally considered available to fund other program or service requirements by the City Manager or the City Council under the City's adopted financial policies. Undesignated fund balance is the amount of money considered to be the City's reserve fund. As with all monies in fund balance, it is a one-time source of revenue.

Reflecting City Council's priorities in setting aside resources for contingencies and other specific purposes, unreserved General Fund balance included the following designated resources at June 30, 2005:

- \$4,330,000 appropriated in fiscal year 2005 to fund the fiscal year 2006 budget as approved by City Council;
- \$3,800,000 to help fund the FY 2007 proposed operating budget;
- \$4,474,890 from FY 2005 surpluses for capital expenditures, designated for capital projects contained in the adopted FY 2006 - FY 2011 Capital Improvement Program budgets (CIP);
- \$258,000 from FY 2004 surpluses for capital expenditures, designated for capital projects contained in the adopted FY 2006 - FY 2011 Capital Improvement Program budget (CIP);
- \$2,824,000 for operating fund projects that were incomplete as of June 30, 2005;
- \$3,000,000 for possible increases in compensation for sworn Public Safety Officers (these increases were implemented in January 2006);
- \$52,592 as an incentive for departmental efficiency savings for future expenditures;
- \$5,000,000 to cover possible costs of the City's self-insurance program covering general liability, motor vehicle liability and workers compensation (previously approved in the context of discussions on the self-insurance program);
- \$7,208,635 to cover somewhat less than 50% of the estimated liability for the City's compensated absences. This designation category was originally designed in FY 1990 to mitigate the anticipated effects of changes in the financial reporting model which was eventually adopted by the Government Accounting Standards Board (as GASB 34) in June 1999;

## Statement of Estimated General Fund Balance

- \$143,000 for possible Federal budget reductions reducing City revenues;
- \$250,000 for medical services for jail inmates;
- \$1,027,000 for increased fuel costs;

After accounting for these designations, undesignated General Fund balance at June 30, 2005 was \$25,848,719. The \$25.8 million in the undesignated fund balance was equal to 5.9 percent of FY 2005 actual General Fund revenues, compared with a floor of 4 percent and a target of 5.5 percent, as established by City Council's debt related financial policies. Unreserved fund balance as of June 30, 2005, of \$58.9 million was equal to 13.3 percent of FY 2005 actual General Fund revenues, compared with a City Council-established lower limit of 10 percent.

### Designations in the Proposed Fiscal Year 2007 Budget

In the fiscal year 2007 operating budget, the City Manager proposes the following designations as of June 30, 2006:

- \$3,800,000 from estimated FY 2006 revenue surpluses to help fund the FY 2007 Operating Budget;
- \$7,353,288 from estimated Fiscal Year 2006 revenue surpluses to fund capital projects contained in FY 2007 of the FY 2007 to 2012 Capital Improvement Program budget;
- \$5,000,000 for the City's self-insurance reserve;
- \$4,000,000 for planned increases in compensation for General Schedule employees;
- \$8,700,000 for partially off-setting the City's liability for post-employment retiree health benefits in response to new national accounting standards (this designation has been funded from \$7,200,000 previously designated for compensated absences and \$1,500,000 derived from estimated FY 2006 revenue surpluses);
- \$1,800,000 for possible increased costs in providing health insurance benefits for School employees (preliminary projections indicate these funds may not be needed);
- \$1,000,000 from estimated FY 2006 revenue surpluses set aside for possible federal or state intergovernmental grant reductions;
- \$300,000 for increases to the Affordable Home Ownership Preservation grant program designed to mitigate the effects of real estate taxes on low and moderate income homeowners;
- \$275,703 for affordable housing programs (representing the difference in the value of one cent of the real estate tax in FY 2006 between the projected assessment increase and the actual assessment increase);

## Statement of Estimated General Fund Balance

- \$275,703 for open space fund (representing the difference in the value of one cent of the real estate tax in FY 2006 between the projected assessment increase and the actual assessment increase);

Based on projected revenues and expenditures in fiscal year 2006, the undesignated General Fund balance at June 30, 2006 is currently estimated to be \$26,391,039 or 5.6 percent of projected FY 2006 General Fund revenues; and the unreserved General Fund balance is estimated to be \$58,895,733, or 12.5 percent of projected General Fund revenues.

**STATEMENT OF PROJECTED FUND BALANCE  
AS OF JUNE 30, 2006**

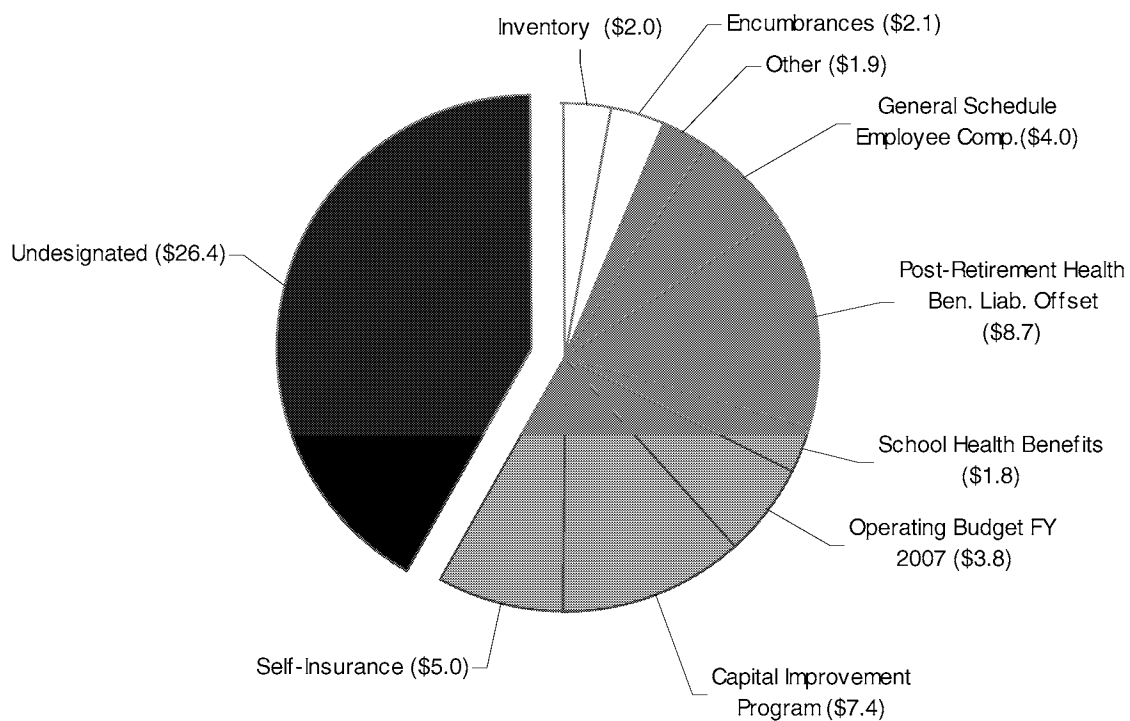
	FISCAL YEAR				
	2002	2003	2004	2005	2006
<b>Unreserved Fund Balance</b>	<b>\$63,630,924</b>	<b>\$54,193,856</b>	<b>\$59,589,075</b>	<b>\$ 58,216,836</b>	<b>\$ 58,895,733</b>
<b>Designations</b>					
FY 2003 Operating Budget	\$ 9,816,624				
FY 2004 Operating Budget	\$ 3,384,096	\$ 6,000,000			
FY 2005 Operating Budget		\$ 1,758,449	\$ 4,334,000		
FY 2006 Operating Budget			\$ 4,330,000	\$ 4,330,000	
FY 2007 Operating Budget				\$ 3,800,000	\$ 3,800,000
Compensated Absences	\$ 7,208,635	\$ 7,208,635	\$ 7,208,635	\$ 7,208,635	
Subsequent CIP	\$12,300,000	\$ 4,200,000	\$ 7,536,116		
Subsequent CIP			\$ 258,000	\$ 258,000	
Subsequent CIP				\$ 4,474,890	\$ 7,353,288
Self Insurance	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Incomplete Projects	\$ 1,375,987	\$ 1,184,951	\$ 1,922,038	\$ 2,824,000	
Recycling Fund		\$ 564,323			
Open Space Fund		\$ 953,000			\$ 275,703
Affordable Housing Programs			\$ 751,000		\$ 275,703
Efficiency Reductions Fund			\$ 72,489	\$ 52,592	
Increased Fuel Costs				\$ 1,027,000	
Federal Budget Reductions				\$ 143,000	
Medical Services for Jail Inmates				\$ 250,000	
Sworn Public Safety Compensation				\$ 3,000,000	
General Schedule Employee Comp.					\$ 4,000,000
Post Retirement Health Benefits Liability Partial Offset					\$ 8,700,000
Current School Employee Retirement					
Health Benefits					\$ 1,800,000
Federal or State Intergovernmental					
Revenue or Grant Reductions					\$ 1,000,000
Affordable Home Ownership					
Protection Grants					\$ 300,000
Affordable Housing Programs					
<b>Total Designations</b>	<b>\$39,085,342</b>	<b>\$26,869,358</b>	<b>\$31,412,278</b>	<b>\$ 32,368,117</b>	<b>\$ 32,504,694</b>
<b>Undesignated Fund Balance</b>	<b>\$24,545,582</b>	<b>\$27,324,498</b>	<b>\$28,176,797</b>	<b>\$ 25,848,719</b>	<b>\$ 26,391,039</b>
<b>Reserved Fund Balance</b>	<b>\$ 4,597,734</b>	<b>\$ 3,923,872</b>	<b>\$ 3,207,535</b>	<b>\$ 4,058,347</b>	<b>\$ 4,058,347</b>
<b>Total Fund Balance</b>	<b>\$68,228,658</b>	<b>\$58,117,728</b>	<b>\$62,796,610</b>	<b>\$ 62,275,183</b>	<b>\$ 62,954,080</b>
<b>Unreserved Fund Balance End of Year</b>				<b>\$ 58,216,836</b>	
Less FY 2006 Operating Budget					
Balancing Appropriation				\$ (4,330,000)	
Less FY 2006 CIP Appropriation				\$ (4,732,890)	
Less FY 2005 Incomplete Projects				\$ (2,824,000)	
Less Efficiency Reduction Fund				\$ (52,592)	
Less Federal Budget Reductions				\$ (143,000)	
Add FY 2006 Surplus Revenue				\$ 12,761,379	
<b>Unreserved Fund Balance - June 30, 2006</b>				<b>\$ 58,895,733</b>	
<b>Estimated FY 2006 General Fund Revenues</b>					<b>\$ 470,535,951</b>
<b>Estimated Undesignated Fund Balance as %</b>					
of General Fund Revenues				<b>5.9%</b>	<b>5.6%</b>
Target					<b>5.5%</b>
<b>Estimated Unreserved Fund Balance as %</b>					
of General Fund Revenues				<b>13.3%</b>	<b>12.5%</b>
Limit					<b>10.0%</b>

## City of Alexandria General Fund

### Estimated Fund Balance

This pie chart shows all of the components of the Statement of Estimated General Fund balance (reserved, designated and undesignated) as of June 30, 2006.

### Projected Fund Balance as of June 30, 2006 \$63.0 Million



☐ Reserve monies - not available for appropriation (estimated).

The remaining components of fund balance comprise unreserved fund balance.

☒ Designated monies - These designated reserves are to help the City offset the cost of the specific type of obligation for which the funds are earmarked. Although technically available for appropriation, these monies are generally not considered available to fund other program or service requirements by the City Manager or the City Council under the City's adopted financial policies.

☐ Undesignated - This is the amount of money generally considered to be the City's reserve fund.



## Appendix I

### Layperson's Guide to Fund Balance

The following information is based on the November 18, 1997 BFAAC report to City Council. City Council received the BFAAC report on December 9, 1997. The information in this summary has been updated by OMB and Finance based on the City's Comprehensive Annual Financial Report as of June 30, 2004, and incorporates information regarding the financial reporting model for state and local governments.

#### The Importance of Explaining the General Fund Balance

The presentation and explanation of the general fund balance to the City Council, the citizens of Alexandria and representatives of the media is a difficult task. As the Government Financial Officers Association (GFOA) has said in its Elected Official's Guide to Fund Balance:

In our system of government, crucial decisions involving the lives of citizens are placed in the hands of elected officials. Many of these decisions involve the allocation of scarce financial resources. Arguments for and against proposed allocations of financial resources often focus on "fund balance." Unfortunately, published discussions of fund balance, as a rule, are directed toward the professional accountant rather than toward the elected official or others who may not have background or experience in governmental accounting and financial reporting. Accordingly, elected officials often find themselves in the difficult position of having to weigh arguments involving fund balance with only a vague, or even erroneous understanding of its true nature and significance.

In Alexandria, because we have benefitted from sound financial management by City staff, wise decisions by City Council and good fortune, we have fund balances. For that reason, it is particularly important that the nature of the general fund balance and its necessity to the fiscal health of the City be clearly articulated in terms and with language that can be widely understood. This nontechnical discussion of the general fund balance, especially as it has been maintained in Alexandria, is offered with this purpose in mind.

This document is an explanation of how the name, concept and meaning of the general fund balance will change due to the new rules governing the reporting of municipal government finances. The City has implemented GASB Statement No.34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34, labeled by GASB as "the most significant change in the history of government financial reporting," mandated that by FY 2002, governments comparable to the City of Alexandria, amend their financial reporting to provide additional information about their fiscal health including information about the status of public infrastructure. In order to take a leading position in this area, utilize City accounting data and professional resources, as well as to get hands-on experience with the new reporting requirements, the City fully implemented the standard with the FY 2000 Comprehensive Annual Financial Report, two years ahead of the GASB mandate. As a result, the City of Alexandria was the first government in Virginia, the largest local government, and among the first governments in the United States to fully adopt the new reporting standards.

## Use and Protection of the Fund Balance Under the City's Fiscal and Debt Related Financial Policies

The fiscal policies of the City of Alexandria and mandatory accounting rules have established a wise and prudent set of checks and balances to help ensure the City's fiscal stability. Neither the City's total fund balance, its unreserved General Fund balance, or its designated fund balance, should be referred to as a "rainy day fund" or seen as a "savings" easily available for meeting emergency needs. As will be explained below, reservations of some portion of the General Fund balance are required by accounting rules that cannot be ignored. Designations of some of the unreserved balances represent decisions of the City Council and Manager that financial resources need to be set aside now to meet future needs.

Only the remaining undesignated fund balance is available for meeting other unknown future financial needs. And this undesignated fund balance is not available for expenditure as would be recurring revenues. The City Council has imposed on itself a rule that it cannot appropriate undesignated fund balances beyond that proposed in the City Manager's budget except by an affirmative vote by at least five members of the Council. This appropriately balances the need to make such monies available if truly necessary in the judgment of the elected City leaders, and the need to protect against the temptation to use this balance to meet recurring operating needs when recurring operating revenues are not sufficient.

Indeed, the City Council has stated its policy to "not establish a trend of using General Fund equity to finance current operations." Specifically, its debt related financial policies declare that "the City will not finance operations from the General Fund equity balance for periods longer than two years."

It is prudent to maintain some sort of balance. A portion of the balance is required to provide the City with adequate cash flow. For example, the real estate tax, which is the City's largest single revenue source, is collected in November and June, but payroll expenditures occur every two weeks. The City has adopted a debt related financial policy that it will not issue tax or revenue anticipation notes to fund governmental operations, so it must manage its cash flow in a way that provides funds to meet all working capital needs at all times. The balance also helps to protect against unanticipated expenditures or lower than expected revenues.

## The General Fund "Checkbook" Balance Under Current Municipal Government Accounting Methods

Under current municipal government financial reporting methods, the general fund is one of several types of "governmental funds". As the GFOA says, "Governmental funds are designed to measure the current financial resources on hand at the end of a period that are available to be spent or appropriated in future periods." The GFOA continues:

The focus of a governmental fund (e.g. general fund) is similar to that of an individual wishing to know what his or her checkbook balance will be after the last paycheck for the month has been deposited, and after all of the checks written to pay this month's bills have been cashed. This balance is significant because it represents the financial resources available to help pay next month's bills.

Under these current accounting methods, the general fund balance therefore can be considered to be the checkbook balance of Alexandria. It represents the best estimate of the current financial resources available at the end of the accounting period for spending in future periods.

To determine the checkbook balance of the City, decisions have to be made about whether or not a "check" has been written by the City. In most cases, this is obvious. The obligation of City funds for payroll and the purchase of goods and services is easily measured and reported. There are some other instances in which it is not so clear whether the City has incurred or faces a certain future obligation. The touchstone to deciding these questions is whether the City has financial resources that are readily available for spending in future periods.

#### Changing from the Checkbook Analogy to the Taxpayers' Equity Analogy With the Changes in Accounting Methods

Under GASB Statement No. 34, state and local governments are required to report their financial condition using government-wide financial statements and fund financial statements. The government-wide financial statements use an approach that is most similar to the approach used in the financial statements of all publicly traded companies in the U.S. The fund financial statement will retain the traditional method of accounting (modified accrual accounting) for governmental funds. Under the fund financial statements, the differences between fund assets and liabilities would continue to be reported as the reserved and unreserved fund balances.

Government-wide financial statements require a single statement that consolidates governmental activities and business-type activities. These government-wide statements are to be prepared on the full accrual basis of accounting. All revenues and expenses connected with the fiscal year will be taken into account even if the cash involved has not actually been received or paid. All capital assets, including infrastructure assets, are to be reported on the balance sheet and depreciation is to be reported as a charge to operations each period. All long-term liabilities, including debt are to be reported on the balance sheet and accrued interest is to be reported as a charge to operations each period.

With these changes, the government-wide financial statement now reports "net assets" at the bottom line. These net assets represent available financial resources, but with a longer time horizon to measure availability for future spending. The analogy of the checking account balance will be replaced by the analogy of stockholders equity, or more appropriately for municipal government finances, "taxpayers' equity". The taxpayers' equity is equal to the net asset value of the City of Alexandria.

Under GASB Statement No. 34, the general governmental fund (which contains 80 percent of City revenues and expenditures) will continue under modified accrual accounting rules in the fund financial statements. Accordingly, the current budget practices in regard to reorganizing revenues and expenditures that parallel modified accrual accounting rules also will not change.

## Understanding the Difference Between the General Fund Balance, Net Assets and Cash Balance

One common misconception is that the fund balance or net assets of the City is the same as the cash balance of the City. Cash itself is a financial resource, but it is not necessarily the only financial resource available to the City. The City may have available to it other financial resources (such as tax revenues collected by the State but not yet distributed to the City) that represent real financial resources available for spending in future periods, but not reflected yet in the cash balance. Similarly, the City holds cash that is needed to pay bills already incurred but not yet paid for. Under the longer term view of the taxpayers' equity analogy, the cash balance concept is even further distanced from truly representing the financial health of the City.

To focus only on the cash balance of the City is comparable to focusing only on the account balance you have at the bank, without recognizing the checks that you have already written and dispersed that have not yet been cashed by their recipients. These checks have not yet been deducted from your account, but they reduce your checkbook balance. Furthermore, the cash balance does not recognize the value of the assets held by the City or the eventual long term cost of such obligations, such as the need to eventually pay employees for their leave balances.

### Reserved General Fund Balance

Sometimes the checkbook balance of the City is limited by commonly used accounting restrictions or other legal restrictions that make certain funds unavailable for future spending by the City. Under current Generally Accepted Accounting Principles (GAAP) for the fund financial statements, the City must reserve funds to equal its inventory of supplies and its encumbrances. The inventory of supplies includes supplies that are to be used within the year. Encumbrances include undelivered orders (contracts under which goods or services have been ordered but not yet delivered and paid for). The accounting rationale for these reserves is that the inventory of supplies, notes receivable and encumbrances are not financial resources available for future spending by the City. As of June 30, 2005, the City had \$1,970,689 in inventory of supplies and \$2,087,658 in encumbrances. These funds are said to be "reserved" balances.

### Designated Fund Balance

Current accounting rules for municipal governments also recognize what are termed "designations" of fund balances. Sometimes governments wish to specifically segregate or "earmark" financial resources for specified purposes. Such "earmarking" is reflected in financial statements by means of "designations." For example, a government may wish to "designate" resources to help meet obligations expected to arise in connection with claims and judgments.

Only the chief executive officer or the legislative body of a government may create a designation. Also from GFOA:

It is very important to distinguish between "reserves" (i.e., "reserved fund balance") and "designations." The former are an indication that financial resources are not available for appropriation, whereas the latter only indicate that management would prefer to use available financial resources for a

specified purpose. Accordingly, although earmarked, designations remain an integral part of a government's spendable or appropriable resources (i.e., "unreserved fund balance").

The unreserved fund balance as of June 30, 2005 was \$58,216,836. Against this unreserved fund balance, the following designations to yield an undesignated general fund or checkbook balance of \$25,848,719 were made by City Council:

- \$4,330,000 appropriated in fiscal year 2005 to fund the fiscal year 2006 budget as approved by City Council;
- \$3,800,000 to help fund the FY 2007 proposed operating budget;
- \$7,208,635 to cover somewhat less than 50 percent of the estimated liability for the City's compensated absences. This designation category was originally designed in FY 1990 to mitigate the anticipated effects of changes in the financial reporting model which was eventually adopted by the Government Accounting Standards Board (as GASB 34) in June 1999;
- \$258,000 from FY 2004 surpluses for capital expenditures, designated for capital projects contained in the adopted FY 2006 - FY 2011 Capital Improvement Program budget (CIP);
- \$4,474,890 from FY 2005 surpluses for capital expenditures, designated for capital projects contained in the adopted FY 2006 - FY 2011 Capital Improvement Program budgets (CIP);
- \$5,000,000 to cover possible costs of the City's self-insurance program covering general liability, motor vehicle liability and workers compensation (previously approved in the context of discussions on the self-insurance program);
- \$2,824,000 for operating fund projects that were incomplete as of June 30, 2005;
- \$52,592 as an incentive for departmental efficiency savings for future expenditures;
- \$1,027,000 for increased fuel costs;
- \$143,000 for possible Federal budget reductions reducing City revenues;
- \$250,000 for medical services for jail inmates;
- \$3,000,000 for possible increases in compensation for sworn Public Safety Officers (these increases were implemented in January 2006);

#### Designations in the Proposed Fiscal Year 2007 Budget

- \$7,353,288 from estimated Fiscal Year 2006 revenue surpluses to fund capital projects contained in FY 2007 of the FY 2007 to 2012 Capital Improvement Program budget;

- \$3,800,000 from estimated FY 2006 revenue surpluses to help fund the FY 2007 Operating Budget;
- \$5,000,000 for the City's self-insurance reserve;
- \$4,000,000 for planned increases in compensation for General Schedule employees;
- \$8,700,000 for partially off-setting the City's liability for post-employment retiree health benefits in response to new national accounting standards (this designation has been funded from \$7,200,000 previously designated for compensated absences and \$1,500,000 derived from estimated FY 2006 revenue surpluses);
- \$1,800,000 for possible increased costs in providing health insurance benefits for School employees (preliminary projections indicate these funds may not be needed);
- \$275,703 for affordable housing programs (representing the difference in the value of one cent of the real estate tax in FY 2006 between the projected assessment increase and the actual assessment increase);
- \$275,703 for open space fund (representing the difference in the value of one cent of the real estate tax in FY 2006 between the projected assessment increase and the actual assessment increase);
- \$1,000,000 from estimated FY 2006 revenue surpluses set aside for possible federal or state intergovernmental grant reductions;
- \$300,000 for increases to the Affordable Home Ownership Preservation grant program designed to mitigate the effects of real estate taxes on low and moderate income homeowners;

Based on projected revenues and expenditures in fiscal year 2006, the undesignated General Fund balance at June 30, 2006 is currently estimated to be \$26,382,404 or 5.6 percent of projected FY 2006 General Fund revenues; and the unreserved General Fund balance is estimated to be \$58,895,733, or 12.5 percent of projected General Fund revenues.

#### The Power to Designate and the Effects of a Designation

Although the City Manager proposes the amounts to be designated for several items as noted above, only the City Council has the power to approve designations of fund balances. Only the City Council can make appropriations from the unreserved fund balance for expenditure. As provided for in a resolution initially adopted by City Council in 1997, and readopted by every Council since then, any appropriations from the undesignated fund balance beyond that proposed in the City Manager's proposed budget requires the affirmative vote of five members of the City Council.

The effect of a designation, therefore, is to remove certain funds from availability for future appropriation outside the purpose of the designation. Council can, by simple majority, approve the City Manager's estimate of a reduction in a designation.

From the fund accounting perspective described above, this undesignated General Fund balance is the equivalent of the checkbook balance of the City of Alexandria. The required reservations and designations made as policy choices by the City Council and generally recommended by the City Manager are analogous in the checkbook example to checks written and presented for payment but not yet cleared through the bank. It is entirely reasonable for the City Council and the City Manager to debate how much should be set aside in designations as described above. These decisions are the equivalent of making real spending decisions in the annual budget, even if cash is not immediately exchanged for goods or services.